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PAGE 01 MILAN 02380 01 OF 04 181831Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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ACDA-05 CU-02 /109 W

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R 181327Z DEC 75

FM AMCONSUL MILAN

TO AMEMBASSY ROME

INFO SECSTATE WASHDC 4463

AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 1 OF 4 MILAN 2380

E.O. 11652: N/A

TAGS: PINT, IT

SUBJECT: MILAN CONSULAR DISTRICT AT YEAR'S END

SUMMARY

IN THE MILAN CONSULAR DISTRICT, THE SITUATION IS IN CONSIDERABLE MOVEMENT. AND NOT ONLY SUPERFICIALLY. BOTH THE ECONOMY AND POLITICAL UNIVERSE ARE EXTREMELY FLUID. WHILE THE ECONOMIC OUTCOME WILL PROBABLY BE FAVORABLE, THE POLITICAL RESULT IS WIDE OPEN. HOWEVER, THE BOIL WITHIN THE CATHOLIC WORLD IS A GOOD OMEN, AS IS THE UNENTHUSIASTIC BUT REALISTIC RECOGNITION BY LOCAL DC AND SOCIALIST LEADERS OF THE NEED FOR A NEW ALLIANCE AND AS IS THE CONTINUING EVOLUTION OF THE PCI PUBLIC POSTURE AWAY FROM ITS STALINIST-LENINIST PRECEDENTS.

1. PREPARATORY TO THE OPENING OF THE REGIONAL

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PAGE 02 MILAN 02380 01 OF 04 181831Z

PARTY CONSULTATIONS BEGINNING IN JANUARY THAT

WILL LEAD TO THE NATIONAL CONGRESSES OF THE CHRISTIAN DEMOCRATS (MARCH 4) AND SOCIALISTS, (FEBRUARY 8), IT MAY BE USEFUL TO SUM UP THE ECONOMIC AND POLITICAL SCENE IN THIS DISTRICT AS WE SEE IT AS THE YEAR CLOSES.

2. THE ECONOMIC BACKDROP THE ECONOMIC CLIMATE IS SHOWING SOME SIGNS OF IMPROVEMENT OR AT LEAST OF NO FURTHER DECLINE.

3. THE BRIGHTEST PICTURE IS IN AGRICULTURE WHERE THERE IS GOOD NEWS ON ALMOST ALL FRONTS. HIGHER DAIRY PRICES, IMPROVED DEMAND FOR MEAT AND UNEXPECTED REVIVAL OF DEMAND FOR PO VALLEY CHEESES PLUS GOOD SUGAR BEET PRICES AND AN EXCELLENT YEAR FOR RICE, CORN AND WHEAT ADD UP TO CONSIDERABLE SATISFACTION IN THESE IMPORTANT SECTORS. THE STRENGTH OF THE MARKET WAS CLEAR IN OUR SALES AT THE CREMONA LIVE STOCK SHOW WHICH WERE DOUBLE THOSE OF LAST YEAR.

4. ON THE INDUSTRIAL SIDE, THERE IS AN ILL DOCUMENTED BUT NO LESS REAL IMPROVEMENT IN MANY SECTORS.

5. COTTONS AND SILKS ARE DOING EXCEEDINGLY WELL. COMPUTERS ARE HAVING A RECORD YEAR. SIMILARLY ALFA ROMEO IS NOW ENCOUNTERING DIFFICULTY MEETING DEMANDS FOR NEW MODELS WHILE THE MACHINE TOOL INDUSTRY REPORTS EXPORTS LEADING A TURN AROUND. AT THE SAME TIME, HOUSEHOLD APPLIANCE SALES HAVE BEEN RISING SINCE AUTUMN AND SHORT HOURS ARE DECLINING. OUR EXPERIENCE CONTINUES TO BE THAT WITH THE EXCEPTION OF INDUSTRY IN TWO IMPORTANT AGRICULTURAL PROVINCES (PAVIA AND MANTUA) THE ECONOMIC SITUATION OF INDUSTRY IN THE PROVINCES IS GOOD OR BETTER DESPITE ISOLATED FIRMS BEING IN TROUBLE.

6. WHILE BUILDING IS SLOW IN THE BIG CITIES, PARTLY DUE TO ZONING PROBLEMS, IT IS PROCEEDING IN OUTLYING AREAS AND APPEARS TO BE ON THE VERGE OF CONSIDERABLE REVIVAL AS FINANCING FROM ROME IS BEGINNING TO COME LIMITED OFFICIAL USE

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PAGE 03 MILAN 02380 01 OF 04 181831Z

OUT OF THE PIPELINE. WHEN THE PICK UP COMES, IT IS GENERALLY AGREED THAT THERE WILL PROMPTLY BE A LABOR SHORTAGE IN THE BUILDING TRADES WHICH SAYS SOMETHING ABOUT THE REAL SITUATION NOW.

7. THERE ARE SIGNS, TOO, THAT PUBLIC FINANCE IS EASING UP DESPITE THE RISING CHORUS OF COMPLAINTS ABOUT CITY INDEBTEDNESS. THE FACT IS THAT MOST

MUNICIPALITIES IN THIS DISTRICT, INCLUDING MILAN, HAVE VERY LOW DEBT STRUCTURES REFLECTING THEIR VERY CONSERVATIVE FINANCIAL MANAGEMENT IN THE PAST2 THAT SOME INDEBTEDNESS IS NOW BEING INCURRED WILL STIMULATE THE ECONOMY AS WELL.

8. THE POLITICAL SCENE

THE POLITICAL SITUATION IS LESS PREDICATABLE AND LESS ENCOURAGING ALTHOUGH NOT WITHOUT SOME FAINTLY HOPEFUL SIGNS.

9. THE CHRISTIAN DEMOCRATS ARE IN FUNDAMENTAL EVOLUTION. THERE IS A FERMENT WITHIN THE PARTY STRUCTURE THROUGHOUT THE DISTRICT. MILAN LEADS AND OTHER AREAS LAG IN THIS PROCESS. IT IS TOO SOON TO KNOW WHAT THAT WILL PRODUCE BUT IT IS NOW SAFE TO SAY THAT THE STRUCTURE OF THE PARTY AND THE ALLIANCES KNOWN TO US ON JUNE 15 ARE DISSOLVING AT EVERY SIDE.

10. NOT ONLY IS THE RANK AND FILE IN REVOLT, BUT SO ARE THE WARD LEADERS, THE CITY CHAIRMEN AND THOSE AT THE PROVINCIAL AND REGIONAL LEVEL, INCLUDING THE CLERGY. IT IS NOT THAT THE WHITE HAT REFORMERS HAVE TAKEN OVER, BUT THAT THE PARTY AND ITS SATELLITES PREFER WINNING TO LOSING AND ARE CONVINCED THAT THE NATIONAL DC TEAM IN ROME IS A LOSER. THE ALMOST UNIVERSAL THEME IS A DEMAND FOR CHANGE IN THE NATIONAL LEADERSHIP AND THE INSTALLATION OF EFFECTIVE, NEW, HONEST, ENERGETIC, MODERN NATIONAL LEADERS OF A UNITED PARTY. WITHOUT SUCH A REJUVENTATION OF THE PARTY, OUR CONTACTS, BOTH DC AND OTHER, EXPECT THE FURTHER DECLINE OF THE PARTY AS A NATIONAL POLITICAL LIMITED OFFICIAL USE

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PAGE 04 MILAN 02380 01 OF 04 181831Z

FORCE, ALTHOUGH BY NO MEANS THE DISAPPEARANCE OF A SIGNIFICANT CATHOLIC POLITICAL BLOC.

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PAGE 01 MILAN 02380 02 OF 04 181658Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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FM AMCONSUL MILAN

TO AMEMBASSY ROME

INFO SECSTATE WASHDC 4464

AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 2 OF 4 MILAN 2380

11. LOMBARDY IS THE CENTER OF THIS FERMENT. AT LEAST TWO MAJOR COALITIONS HAVE BEEN TAKING SHAPE IN THE LAST COUPLE OF WEEKS BUT THE STATE OF PLAY IS EXTRA-ORDINARILY CONFUSED. THE MOVIMENTO POPOLARE SEEKS TO WRAP UP AS MUCH OF THE DC AND ANCILLARY GROUPS AS POSSIBLE IN COLLABORATION WITH COMUNIONE E LIBERAZIONE (C & L) TO BECOME A NATIONAL POLITICAL FORCE. BUT THIS INITIAL EFFORT TO UNITE A LARGE MAJORITY AROUND C & L IS NOW RECEDING AND A NEW GROUPING SEEMS TO BE TAKING FORM HAT IS MORE COMMITTED TO ZACCAGNINI. HOWEVER, THESE LOCAL MANEUVERINGS CHANGE SO RAPIDLY THAT IT IS IMPOSSIBLE TO DESCRIBE THEM BEFORE ANOTHER CHANGE HAS OCCURRED. HOWEVER, THE BASIC TREND IS TOWARD ZACCAGNINI WHO HAS BEEN UNANIMOUSLY ENDORSED AT LEAST ON PAPER BY THE LOMBARDY DC.

12. BOTH MAJOR GROUPS HERE WANT PROFOUND CHANGES IN ROME LEADERSHIP. BOTH BELIEVE THAT THE RE-ESTABLISHMENT OF AN ALLIANCE WITH THE SOCIALISTS MUST BE A LIMITED OFFICIAL USE

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PAGE 02 MILAN 02380 02 OF 04 181658Z

PRIMARY POLICY GOAL OF THE PARTY, HOWEVER UNPALATABLE THAT MAY BE. AND BOTH ARE PREPARED TO MAKE MAJOR CONCESSIONS TO THE SOCIALISTS IN TERMS OF CABINET PORTFOLIOS AND POLICY TO BRING ABOUT THIS CHANGE AS RAPIDLY AS POSSIBLE.

13. ALL OF THIS ACTIVITY IS NOW BECOMING EVEN MORE

INTENSE AS THE CASCADE OF PARTY LOCAL CONVENTIONS BEGINS TO CULMINATE IN THE NATIONAL CONGRESS. HOW THAT WILL TURN OUT, WE CANNOT YET GUESS FROM THE EVIDENCE IN THIS DISTRICT. BUT THE ENERGY AND PASSION BEING POURED INTO THE PROCESS IS A GOOD OMEN AND HOLDS OUT SOME HOPE, HOWEVER REMOTE, THAT A REJUVENATION MAY JUST BE POSSIBLE. NEVERTHELESS, THE PROCESS OF SELF-EXAMINATION AND RENEWAL IS LESS PRONOUNCED IN THE PROVINCES. THERE THE INTERNAL TENSIONS OF THE PARTY ARE BETTER CONCEALED, THE HOLD OF THE NATIONAL BOSSES IS STRONGER AND PESSIMISM ABOUT THE FUTURE OF THE DC IS GREATER. BUT EVEN HERE A SHIFT IN CHRISTIAN DEMOCRATIC PARTY ALLEGIANCES IS IN PROGRESS AND BECOMING CLEARER EACH DAY.

14. WHILE BOTH ZACCAGNINI AND FORLANI ARE THE EXCLUSIVE FAVORITES FOR PARTY SECRETARY AND EITHER WOULD PROBABLY BE ACCEPTED, THE FORMER IS GAINING THROUGHOUT THE DISTRICT.

15. NO MENTION OF THE DC WOULD BE COMPLETE WITHOUT REPORTING THE ALMOST UNANIMOUS AND EARNEST URGING THAT WE RECEIVE THAT THE U.S. LEAN ON THE OLD GUARD DC LEADERSHIP NOW TO STEP DOWN.

16. THE CHURCH AND THE DC MAY NO LONGER LIKE EACH OTHER, BUT THEY INCREASINGLY NEED EACH OTHER. CONSEQUENTLY, THERE IS A CLEAR SHIFT IN THE ACTIVITY OF THE CHURCH TO ACT IN SUPPORT OF THE DC. AFTER MORE THAN A DECADE OF NEUTRALITY, LOCAL CHURCHMEN ARE MUSTERING THEIR RESOURCES TO HELP REVITALIZE THE DC AND TO BACK IT. THEY ARE UNIFORMELY SOUR ON THE QUALITY OF BOTH LOCAL AND NATIONAL LEADERSHIP AND NO LESS CRITICAL OF THE CORRUPTION, FAVORITISM, LANGUOR LIMITED OFFICIAL USE

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PAGE 03 MILAN 02380 02 OF 04 181658Z

AND AGEING LEADERSHIP THAN THE COMMUNISTS THEMSELVES. AND THE BISHOPS WHOM I HAVE MET FEEL INEFFECTIVE IN INFLUENCING THE OLD LEADERSHIP TO STEP ASIDE. IT IS WORTHY OF RECORD THAT BOTH OF THE TWO CARDINALS IN THIS DISTRICT AND A NUMBER OF BISHOPS IN PRIVATE CONVERSATIONS HAVE EXPLICITLY STATED THEIR SUPPORT FOR BOTH THE DC AND FOR THE OTHER DEMOCRATIC LAY PARTIES AND HAVE SPKEN CRITICALLY OF A REVIVAL OF CLERICALISM.

17. ANCILLARY CHURCH ORGANIZATIONS LIKE COMUNIONE E LIBERAZIONE ARE BECOMING MORE IMPORTANT POLITICALLY. THE COMITATI CIVICI ARE DEAD AND MOURNED BY FEW WHILE AZIONE CATTOLICA SEEMS UNIMPORTANT. ACLI ON

THE OTHER HAND GIVES SOME SIGNS OF REVIVAL AS A MORE MODERATE POLITICAL FORCE ALTHOUGH IT IS TOO SOON TO JUDGE HOW IMPORTANT IT WILL BE. THE CATHOLIC UNIVERSITY AND YOUTH GROUPS APPEARS TO HAVE ALMOST VANISHED. IN IN THEIR PLACE COMUNIONE E LIBERAZIONE IS MAKING A FAIRLY RAPID RISE.

18. BOTH CHURCH AND DC PARTY LEADERS HAVE VERY MIXED VIEWS ABOUT C & L. SOME WELCOME IT AS A ROUGH AND READY RESERVOIR OF YOUNG MILITANTS THAT COULD SAVE A TIRED, DISCOURAGED, AND FALTERING PARTY. OTHERS RESENT ITS USURPING THE OLD LEADERSHIP, DON'T LIKE ITS RADICAL TALK OR FEAR ITS CLERICAL INFLUENCE. THUS FAR, IT IS IMPORTANT ONLY IN THE BIG UNIVERSITY CITIES BUT IT IS COMING TO LIFE IN THE SMALLER PROVINCIAL AREAS AS WELL. ONE THING SEEMS CLEAR - IT IS A THORNY GATHERIN FROM THE U.S. POINT OF VIEW WITH A STRAIN OF ANTI-CAPITALIST, ANTI-MULTINATIONAL, ANTI-IMPERIALIST PHILOSOPHY THAT MAKES MANY C & L ADHERENTS NOT ONLY ANTI-SOVIET BUT ANTI-AMERICAN AS WELL.

19. CISL IS NO LONGER A PARTY INSTRUMENT. STILL, MOST OF ITS LEADERSHIP IN THIS DISTRICT MAKES NO SECRET OF ITS PERSONAL SUPPORT FOR THE DC. THERE ARE SIGNS THAT SOME OF THESE LEADERS ARE NOW LOOKING FOR WAYS TO REVIVE CISL INSTITUTIONAL SUPPORT FOR LIMITED OFFICIAL USE

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PAGE 04 MILAN 02380 02 OF 04 181658Z

THE DC ALTHOUGH THIS, TOO, IS ONLY IN ITS BEGINNINGS AND IS BY NO MEANS A WHOLLY DESIRABLE DEVELOPMENT.

20. IN SHORT, THE CATHOLIC WORLD IS REACTING TO WHAT IT REGARDS AS MAJOR DEFEAT IN JUNE AND THE THREAT OF A STILL MORE SIGNIFICANT DEFEAT IN THE PARLIAMENTARY ELECTIONS.

21. THE SOCIALISTS ARE IN A HAPPIER FRAME OF MIND. THEY ARE IN AN INCREASINGLY UNCOMFORTABLE ALLIANCE WITH THE COMMUNISTS IN MANY CITIES. AND THEY HAVE GOOD REASON TO FEAR THE COMMUNISTS. BUT, DESPITE SOME PROBLEMS, THEIR PRESENT POSTURE PROVIDES ONE ENOURMOUS ADVANTAGE - THEY ARE NO LONGER TARGETS FOR COMMUNIST ATTACK. THIS, OF COURSE, WAS A MAIN CAUSE FOR THE DECISION AFTER JUNE 15 TO FORM LOCAL GOVERNMENTS WITH THE COMMUNISTS AND THINGS ARE WORKING OUT IN THAT RESPECT AS THE SOCIALISTS HOPED.

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PAGE 01 MILAN 02380 03 OF 04 181734Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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R 181327Z DEC 75

FM AMCONSUL MILAN

TO AMEMBASSY ROME

INFO SECSTATE WASHDC 4465

AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 3 OF 4 MILAN 2380

22. MOREOVER, THE SOCIALISTS BELIEVE THAT THERE WILL BE SOME BOUNCE-BACK IN THE PARLIAMENTARY ELECTIONS FROM THE COMMUNIST PARTY GAINS IN JUNE. THEY DOUBT THAT THE DC WILL PICK UP MUCH OR ANY OF THIS RETURNING VOTE AND SEE NO CHANCE THAT MUCH OF IT WILL GO TO THE MINOR LAY PARTIES. THE SOCIALISTS THEREFORE EXPECT TO BE THE MAJOR BENEFICIARIES. SIMILARLY, THEY ARE NOT SURE THAT THE DC MAY NOT SHED MORE VOTES AND, AGAIN, HOPE TO PICK THOSE UP. FINALLY, LIKE EVERYONE ELSE, THEY EXPECT THE NEAR DISAPPEARANCE OF THE SOCIAL DEMOCRATS AND LIBERALS, MANY OF WHOSE VOTES THEY CAN EXPECT TO GAIN.

23. THE SOCIALIST IN THIS DISTRICT, AS A RULE, ARE NOT PRO-COMMUNIST NOR DO THEY TRUST THE COMMUNISTS. ALTHOUGH THE LEFT WING OF THE PARTY IS MESMERIZED BY THE MYTH OF THE MARXIST LEFT. BUT THERE ARE THEY WELL DISPOSED TO THE CHRISTIAN DEMOCRATS WHOM THEY BASICALLY DISLIKE.

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PAGE 02 MILAN 02380 03 OF 04 181734Z

THEY ARE VERY WARY AND LOOKING BOTH TO KEEP THEIR OWN INDEPENDENCE AND TO ERODE BOTH THE COMMUNISTS AND THE DC WHERE THEY CAN. I HAVE SPOKEN TO NONE WHO FAVORS INCLUDING THE COMMUNISTS IN THE NATIONAL GOVERNMENT ALTHOUGH THEY WANT TO FIND WASY TO NEUTRALIZE COMMUNIST COMPETITION BY FINDING SOME FORMULA TO OBLIGE THE COMMUNISTS TO TAKE SOME OF THE RESPONSIBILITY FOR GOVERNMENT. THAT COULD BE QUITE A TRICK. THEY ARGUE THAT IT IS SAFE TO ALLOW THE COMMUNISTS INTO LOCAL GOVERNMENT BECAUSE THE NATIONAL GOVERNMENT PROVIDES THE ULTIMATE INSURANCE AGAINST COMMUNIST VIOLATION OF THE RULES.

25. THE SOCIALISTS WITH WHOM I HAVE SPOKEN WOULD PREFER AN ALLIANCE WITH THE CHRISTIAN DEMOCRATS TF THE DC WOULD ACCEPT MORE LIBERAL PUBLIC POLICIES, GIVE THE SOCIALISTS MORE POWER TO CARRY OUT THOSE POLICIES AND IF THE DC WOULD AGAIN BECOME SUFFICIENTLY UNITED TO RULE. ZACCAGNINI HAS SUCCEEDED IN CONVINCING A GOOD MANY SOCIALISTS HERE THAT HE COULD BE TRUSTED AND WOULD AGREE TO PUBLIC POLICY ADVOCATED BY THE PSI. THE SOCIALISTS SAY THAT THE CHRISTIAN DEMOCRATS MADE IT IMPOSSIBLE IN THE CENTRO-SINISTRA TO BRING ABOUT THE CHANGES IN PUBLIC POLICY AND ADMINISTRATION THAT THE SOCIALISTS WANTED AND THAT THE PUBLIC EXPECTED. THE RESULT HAS BEEN THE REPUTATION OF THE DC BY THE ELECTORATE AND A MASSIVE GAIN BY THE COMMUNISTS AS THE PROTEST PARTY. WHILE THE LOCAL SOCIALISTS ARE UNCOMFORTABLE WITH THEIR NATIONAL LEADERSHIP, THERE IS LITTLE PRESSURE TO CHANGE IT SINCE, UNLIKE THE CHRISTIAN DEMOCRATS, THE SOCIALISTS HAVE HAD A TURN-AROUND AND FEEL THAT THEY ARE GAINING RATHER THAN LOSING PUBLIC SUPPORT.

25. THE SOCIAL DEMOCRATS ARE SPLITTING ONCE MORE. THE MUIS, LED BY A GROUP OF MILAN SOCIAL DEMOCRATS, IS EXTENDING ITS PRESENCE THROUGHOUT THE DISTRICT AND CLAIMS TO BE GROWING NATIONALLY AS WELL. SOONER OR LATER IT WILL ALMOST CERTAINLY CARRY AWAY A LARGE PART OF THE PSDI INTO THE SOCIALIST PARTY.

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PAGE 03 MILAN 02380 03 OF 04 181734Z

26. WHILE THE PSDI HAS NEVER HAD MUCH OF AN ORGANIZATION, IT APPEARS TO BE LOSING EVEN THAT. LOCAL EXPECTATION IS THAT IT WILL ALMOST DISAPPEAR AS AN ORGANIZED POLITICAL FORCE IN THIS ARE.

27. THE LIBERALS ARE SUFFERING THE SAME FATE. THE YOUNGER MEMBERS ARE GRAVITATING TO THE PSI AND THE MORE CONSERVATIVE TO THE DC.

28. THE REPUBLICANS ARE HOLDING THEIR OWN OR SLIGHTLY GAINING. THEY DO NOT HAVE MUCH OF AN ORGANIZATION BUT THEY ARE STRONG ON CONVICTION AND MODERN IDEAS. NEVERTHELESS, THEY ARE NOT SEEN IN THIS DISTRICT AS LIABLE TO ELECT AN IMPORTANT NUMBER OF DEPUTIES ALTHOUGH BY VIRTUE OF THEIR IDEAS THEY MAY CONTINUE TO BE A SIGNIFICANT POLITICAL FORCE.

29. THE COMMUNISTS ARE HAPPY BUT NOT EUPHORIC. THEY ARE GETTING DOWN TO THE WORK OF LOCAL GOVERNMENT IN A SERIOUS WAY. DESPITE CLAIMS THAT THEY WERE SORT ON ABLE MEN, WE SEE NO SIGN OF THAT. THEIR MEN ARE OFTEN NEW TO OFFICE. BUT THAT IS NOT UNIVERSALLY THE CASE AND ALL THAT I HAVE MET, WITH ONE EXCEPTION, HAVE STRUCK ME AS BEING AS GOOD AS OR SUPERIOR TO THE AVERAGE OFFICE HOLDER WE MEET. FURTHERMORE, THE FACT THAT COMMUNIST ELECTED OFFICIALS DEVOTE FULL TIME TO THEIR PUBLIC OFFICES IS A TREMENDOUS ADVANTAGE COMPARED TO THEIR AMATEUR, PARTI-TIME COMPETITORS.

30. THERE ARE DISADVANTAGES IN THE PRESENT SITUATION FOR THE COMMUNISTS. THEY ARE NO LONGER ABLE TO CRITICIZE LOCAL GOVERNMENT TO REAP THE BENEFITS OF SHOWING UP THE FAILURES OF THOSE IN OFFICE SINCE THEY ARE NOW OFFICE HOLDERS THEMSELVES. THEY ARE NOW RESPONSIBLE TO THE PUBLIC FOR LOCAL GOVERNMENT AND FACED WITH MANY OF THE SAME TOUGH PROBLEMS THAT THEY EXPLOITED SO WELL AGAINST THEIR PREDECESSORS. AND THEY KNOW THAT THIS COULD HURT THEM. THAT ACCOUNTS IN PART FOR THE VERY BUSINESSLIKE WAY THAT THEY ARE DOING THEIR NEW JOBS. MOREOVER, HEY HAVE GOT TO BE CAREFUL NOT TO ALIENATE THEIR SOCIALIST LIMITED OFFICIAL USE

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PAGE 04 MILAN 02380 03 OF 04 181734Z

PARTNERS (FOR WHOM THEY HAVE VERY LITTLE ESTEEM) BECAUSE, UNLIKE THE SOCIALISTS, THEY HAVE NO OTHER REAL PARTNER TO WHOM TO TURN AS AN ALTERNATIVE.

31. I MUST ALSO REPORT THAT THE CONVERSATIONS THAT I HAVE HAD WITH COMMUNIST LEADERS IN THE COURSE OF MY CALLS HAVE ALWAYS INCLUDED STRONG ASSURANCES ABOUT THE DEMOCRATIC AND INDEPENDENT NATURE OF THE PCI. (ONLY IN MANTUA WAS THE ISSUE NOT TOUCHED FOR LACK OF TIME.) THE COMMUNISTS SAY THAT THEIR REAL POLICIES ARE THIER PUBLIC POLICIES AND THAT, AS A MASS PARTY,

THERE COULD BE NO OTHER.

32. THEIR ASSURANCES ARE ACCEPTED AS SINCERE BY MANY CHRISTIAN DEMOCRATIC, SOCIALIST AND LAY PARTY LEADERS WITH WHOM I HAVE SPOKEN. BUT ALMOST ALL FEAR THAT WHATEVER THE BONA FIDES OF THE PRESENT PCI LEADERSHIP, THE PARTY WILL RETURN TO ITS LENINIST-SATALINIST ANTECEDENTS WITH POWERFUL SOVIET GUIDANCE SHOULD IT FINALLY CONTROL THE GOVERNMENT IN ROME.

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PAGE 01 MILAN 02380 04 OF 04 181953Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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FM AMCONSUL MILAN

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INFO SECSTATE WASHDC 4466

AMCONSUL NAPLES

LIMITED OFFICIAL USE SECTION 4 OF 4 MILAN 2380

33. THE NEO-FASCISTS ARE NOT DOING WELL. WHILE THEY DID NOT LOSE ON JUNE 15, NEITHER DID THEY MAKE IMPORTANT GAINS. THEY ARE NOT A MAJOR FACTOR AT PRESENT AND EVEN THE RECENT ZONE B TRIESTE SETTLEMENT GAVE THEM NO APPARENT LOCAL BENEFIT. IN THE PARLIAMENTARY ELECTIONS, THE LOCAL EXPECTATION IS THAT MANY OF THEIR VOTERS WHO ARE RIGHT WING BUT NOT FASCIST (OF WHOM THERE MUST BE VERY FEW ANYWAY) WILL VOTE DC SO AS NOT TO THROW THEIR VOTES AWAY AT A CRITICAL MOMENT.

34. THE LABOR MOVEMENT IN THIS DISTRICT IS CLERARLY ON THE DEFENSIVE AND GUIDED BY A POLICY OF TAKING MINIMUM RISKS. RIGHTLY OR WRONGLY, THE LABOR LEADERSHIP OF THE THREE FEDERATIONS BELIEVES THAT ITALY IS WOBBLING ON THE BRINK OF ECONOMIC DISASTER. AND THEY DON'T WANT TO PRECIPITATE IT. THEY ARE CONCERNED ABOUT ABSENTEEISM, ABOUT LABOR MOBILITY, ABOUT THE FRINGE BENEFIT COSTS OF LABOR AND ABOUT LIMITED OFFICIAL USE

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PAGE 02 MILAN 02380 04 OF 04 181953Z

ITALIAN PRODUCTIVITY. THEIR PUBLIC POSTURE IS DIFFERENT AND MORE MILITANT PARTLY TO PROTECT THEMSELVES FROM THE EXTREME LEFT THAT IS ACTIVE AT THE PLANT LEVEL AND, PARADOXICALLY, IN CISL. BUT THE POLICY IS ONE OF RESTRAINT AND PRUDENCE - ALTHOUGH THE DAILY STRIKES AND DEMONSTRATIONS MIGHT MAKE ONE WONDER.

35. FINALLY, THE PRESS. THE BIG NEWS CARRIED IN NO ONE'S HEADLINE IS THE PRONOUNCED CHANGE IN THE ORIENTATION OF THE CORRIERE DELLA SERA, STILL ITALY'S MOST INFLUENTIAL DAILY. EDITOR PIERO OTTONE DENIES WITH SOME PAIN THAT ANYTHING HAS CHANGED. BUT I HAVE NO DOUBT. THE CHANGE IS EVIDENT ON THE FRONT PAGE, IN FOREIGN COVERAGE AND FINALLY EVEN IN SOME OF THE ECONOMIC REPORTING. IT BOILS DOWN TO A SOFTENING TOWARD THE U.S. AND THE DC, A HARDENING ABOUT THE PCI AND THE SOVIET UNION AND LESS STRESS ON ECONOMIC DISASTER AND POLITICAL FAILURE.

36. THIS SHOULD NOT SUGGEST THAT CORRIERE IS NOT CRITICIZING THE U.S. AND THE DC. IT IS. BUT IT IS MORE BALANCED THAN EVEN THREE MONTHS AGO AND, FROM THE POINT OF VIEW OF THE NON-COMMUNIST PARTIES, A MARKED IMPROVEMENT.

37. THE APPEARANCE OF LEFT WING NON-COMMUNIST AND PROBABLY ANTI-AMERICAN LA REPUBBLICA IN MID-JANUARY WILL BE AMJOR POLITICAL EVENT IN THIS AREA. IT IS OUT TO HURT THE ALREADY SERIOUSLY AILING CORRIERE AND MAY VERY WELL DO SO SINCE CORRIERE WILL BE CAUGHT BETWEEN IT ON THE LEFT AND IL GIORNALE ON THE RIGHT. BUT WHAT ITS POLITICAL IMPACT WILL BE, REMAINS TO BE SEEN.

38. ABORTION. IF THERE IS A SLEEPER IN THE LOCAL PICTURE IT IS ABORTION AND A POSSIBLE REFERENDUM. THE ISSUE IS NOW BEING EXPLOITED BY THE SOCIALISTS TO TAKE THEIR DISTANCE FROM THE COMMUNISTS AND CHRISTIAN DEMOCRATS WHO HAVE ADOPTED A MORE CONSERVATIVE

POSITION. SHOUL EFFORTS IN ROME TO AVOID A
REFERENDUM FAIL, AS THEY FAILED ON THE ISSUE OF
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PAGE 03 MILAN 02380 04 OF 04 181953Z

DIVORCE, ALL BETS WOULD BE OFF ABOUT THE IMMEDIATE
POLITICAL FUTURE.

39. EUROPEAN UNITY. THE EC DECISIONS TAKEN IN ROME
TO PROCEED WITH THE DIRECT ELECTION OF THE EUROPEAN
PARLIAMENT HAVE BEEN POPULAR IN THIS AREA. FULL
PAGE ADVERTISEMENTS IN THE PRINCIPAL NATIONAL DAILIES
URGED THE DECISION BEFORE THE MEETING AND REFLECT A
FAIR AMOUNT OF BEHIND THE SCENES WORK BY THE EUROPEAN
MOVEMENT. WITH RARE EXCEPTIONS SUPPORTERS OF ALL
THE DEMOCRATIC PARTIES ARE FIRMLY COMMITTED TO EUROPEAN UNITY
ALTHOUGH THEY ARE DISCOURAGED ABOUT DELAYS. YET,
THEY SEE IT AS A POSITIVE ADVANTAGE FOR THE ITALIAN
ECONOMY AND AS A MEANS OF DEALING WITH THE RISKS OF
COMMUNIST MEMBERSHIP IN THE NATIONAL GOVERNMENT.

30. THE UNITED STATES. WE ARE CLEARLY THE GREAT
INVISIBLE PARTY IN THE ITALIAN ELECTORAL LANDSCAPE.
FEW ISSUES AND FEWER DISCUSSIONS WITH POLITICAL
LEADERS, TRADE UNIONISTS, CHURCHMEN, JOURNALISTS,
THE BUSINESS COMMUNITY OR THE ACADEMIC WORLD FAIL TO
TOUCH THE CENTRALITY OF THE UNITED STATES TO THE
APPROACHING CONTEST. EVERYONE WANTS OUR ASSISTANCE
BECAUSE, RIGHTLY OR WRONGLY, THEY BELIEVE THAT IT IS
AN ASSET.

41. THE SECRETARY'S AND THE AMBASSADOR'S PUBLIC
STATEMENTS ON THE ITALIAN SITUATION HAVE HAD ASTONISHING
DISSEMINATION AND HAVE UNDOUBTEDLY BEEN HELPFUL TO
THE NON-COMMUNIST PARTIES. THEY HAVE MADE AN IMPORTANT
CONTRIBUTION NOT ONLY TO ASSURING THE PUBLIC THAT
THE U.S. WAS NOT COMING TO TERMS WITH THE PCI BUT
ALSO TO STIMULATING THE PCI ITSELF TO INCREASE ITS
PUBLIC DISTANCE FROM SOVIET COMMUNISM.

42. THE REGIONAL CONGRESSES OF THE CHRISTIAN DEMOCRATS
AND SOCIALISTS IN LOMBARDY AND VENETO IN LATE JANUARY
AND EARLY FEBRUARY WILL PROBABLY BE THE NEXT POLITICAL
LANDMARKS IN THE PO VALLEY ON WHICH WE CAN TAKE A NEW
POLITICAL BEARING. UNTIL THEN, WE, LIKE THE PARTIES THEM-
SELVES, ARE NAVIGATING IN VERY DENSE FOG.FINA
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PAGE 04 MILAN 02380 04 OF 04 181953Z

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